

TRANSMITTAL SLIP		DATE 6 Feb
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REMARKS:		
FROM:		
ROOM NO.	BUILDING	EXTENSION

Central Intelligence Agency



Washington, D.C. 20505

The Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Congressman Wolf:

This is in response to your letter of 29 January 1986, requesting information on retirements at this Agency and the potential impact from enactment of changes to income tax laws affecting annuities.


First, I am sure you will appreciate that we are precluded from providing in this format some of the specific figures you have requested because they are classified. However, we can provide some of the general data which may be useful. At present, approximately seven percent of our Agency population are eligible or will be eligible to retire by 1 July 1986. Far more importantly, however, is the fact that over 36 percent of our Senior Intelligence Service (the Agency's equivalent to the Senior Executive Service) are currently eligible to retire as are 15 percent of our GS-14 and 15 officer cadre. In our very important overseas oriented categories, these latter figures rise dramatically to 57 percent and 31 percent, respectively.

In general, between 26 and 28 percent of employees eligible to retire in a given year will do so. This ratio has worked well for the Agency in the past, allowing for the timely and proper training and development of our up-and-coming junior officers. Any significant deviation from this trend, particularly at the senior levels, could have a very serious impact on our ability to carry out our national intelligence mission. While we cannot predict exactly how many additional employees would leave if the tax laws affecting annuities are changed, I can tell you that our employees are keenly aware of this issue and indications are that a significant number would retire to avoid the changes. These are officers who would not otherwise be leaving at this time. The potential loss of experience in our intelligence cadre and

senior officer core would require the premature elevation of officers who would lack the desirable degree of experience to equip them to handle the added responsibilities in the same manner as their predecessors.

Although we cannot respond in full to your questions, I hope the above is helpful to you. We are, of course, available should you need any further assistance.

Sincerely


Robert W. Magee
Director of Personnel

A/ADD/Pers/EBS/[redacted] (5 Feb 86)

STAT

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Congress of the United States
House of Representatives

Washington, DC 20515

January 23, 1986

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ON CHILDREN, YOUTH
AND FAMILIES

29 JAN 1986

Mr. Robert W. Magee
Director of Personnel
Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. Magee:

I am writing to ask your assistance on a matter of extreme importance to the efficient and effective operation of the federal government. As you know, just before adjourning the first session of the 99th Congress, the House of Representatives passed the Tax Reform Act of 1985. The House-passed version of the tax bill contains a provision which would dramatically impact those federal employees (as well as millions of other public service employees and other Americans) who retire after July 1, 1986. Employees who retire prior to July 1, 1986, will be allowed to recoup their contributions to the Civil Service Retirement System tax free during the first three years they receive annuities.

The House bill would require that those who retire after July 1, 1986, will have to immediately begin paying taxes on the majority of the annuity that they receive from the first month of retirement. I opposed the inclusion of this provision in the tax bill, and in the Republican Substitute tax bill managed to get it excluded. Unfortunately, the Republican Substitute bill was not accepted, and the provision remains in the Tax Reform Act as passed by the House of Representatives.

I have been told by many agencies that a large number of highly skilled employees who are currently eligible to retire will now do so before July 1, 1986. These retirements could adversely affect many agencies' ability to carry out their important missions. I am writing to ask you to provide me information that I can compile and, in turn, provide to those interested Senators who will consider the bill in February 1986.

I would appreciate your specifically providing me with answers to the following questions, by February 7, 1986:

1. Approximately how many of the employees in your agency are eligible to voluntarily retire prior to July 1, 1986?
2. What percentage is this of your total work force?

Mr. Robert W. Magee

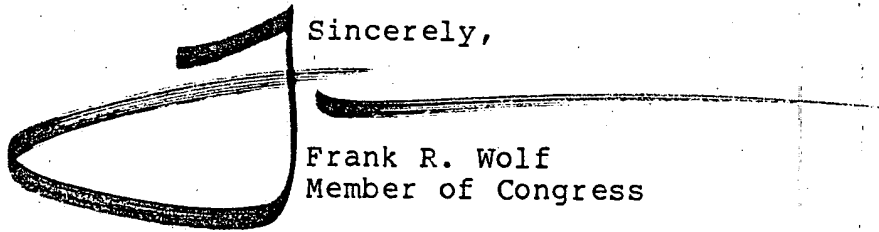
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3. Are those eligible to retire in hard-to-fill positions, or in positions where you have a sufficient applicant pool to fill behind those who do retire?
4. In prior years, of the percentage eligible to retire, how many actually chose retirement?
5. Do you expect an increase in the percentage of those eligible to retire by July 1, 1986, actually retiring? If so, why?
6. Will your agency's ability to carry out its mission and responsibilities be hampered if a substantial number of those eligible to retire do so prior to July 1, 1986?

I recognize that my request for information has a very short response date (February 7, 1986). However, if the information I have received from some agencies is correct, we may face an extremely serious situation if the tax provisions affecting federal retirees is enacted as presently written. It is therefore imperative that I receive the information by February 7 so that it can be provided to the Senate Finance Committee and others in a timely fashion. Thank you very much for your fine work and cooperation in the past, and I look forward to your response to this request.

Sincerely,

A large, stylized handwritten signature in dark ink, consisting of a large loop followed by a horizontal stroke.

Frank R. Wolf
Member of Congress

FRW:rp